## **ARGUMENT**

Before the Railroad Commission of Texas on a Hearing

## BEFORE FIXING THE RATES

Of J. W. Terry, Attorney for the Gulf, Colorado and Santa Ee Railway Company.

Texas Receiving in the Aggregate Chesper Railroad Transportation Than in Any State or Country of

North - The contents hereof were in type befor the tariffs proposed by the commis-ion for consideration, of the railways on August a midd were received, which ac-counts for the fact that there is no refer-ence herein to such tariffs.

## SOME COMPARISONS.

Are the Present Railway Bates of Texas

the state of the form and Trust Comallow opinion of Justice Alther 134 F.

cals will be the same though some of the man have been said below par, of the face particularly good faith, or the particular the railway, question is mad sell sense, and to it

is already satisfied, as indicate by from the evi the courts of the couin leriake to present the

of a surjoinstile that if railway officers in the state, founded on such the control of the control

and conditions of Texas with the rates and conditions of such other states. For the purpose of comparison of rates in the agwe wall select the state of Geor seed and which has been named as a state which and justice to the people and the rail-way companies and which has been more frequently referred to by purels men of Terms in connection with Texas rates than now other states. [See Tables A set H.] For the year 1888 the earning are for per

GUOTBULA TRALLEGIAL	
Port Royal and Augusta Ration	18211:
Central K. Brown and Balth. 102	10000
Of CONTENT	105.08
Part and and West Carellan " any	0857
Categoria Ballynad and Ballidge Co.	0108
Saturnah, Propila and Westers 1 say	.01705
East Temple ein A rginia and in the	
raiway a second	.0097
South Carolina Rallway computer.	.0184
Western and Adamta Kallway communy, TEXAS fighted by	.0063
International and Great Northern Rail-	
	.0133
Fort Worth and Denver City Rallway	
Pert worth and Denver City Battway	.0100
Texas and Pacific Railway company	.0135

Gulf, Colorado and Santa Fe Rallway Co., 0167 

We terret not being able to furnish a compar son for 1890, but the publications which will give the statistics for 1890 have not yet been issued, and we have been able to obtain figures from only one Georgia

The figures in the Georgia table are all

The figures in the Georgia table are all taken from Poor's Manual for 1890. Several of the Georgia roads do not report their freight earnings separately, and they are acrived at by multiplying the tons carried one mile by the ton mile rate.

The figures in the Texas table are taken from Poor's Manual with the exception of the tomage reports of the Fort Worth and Denver City, the Gulf, Colorado and Santa Fe, the International and Great Northern and the Houston and Texas Central railway, which were obtained from the auditors of times roads. The tables include all of the roads of each state whose traffic statistics have been compiled. There are a number of reads in each state which do not compile traffic statistics, but as a rule

number of reads in each state which do not compile traffic statistics, but as a rule there are short and unimportant lines. The Taxas table includes the mileage of the Missouri, Kansas and Texas beyond the state. Omitting the Missouri, Kansas and Texas, the net compiles per mile of the Texas rouls were \$81.48. As the Missouri, Kinsas and Texas, for the year ending October 30, 1830, earned a million dollars more on its 883 miles out of the state than on its 904 miles in the state (see Texas Comptrol.) Are the Present Railway Rates of Texas
as a Whole Careasonable?

The commission cannot constitutionally explained and the power of commission cannot constitutionally explained a first specific for rates which will deprive the nearly commands of the power of comming their operating expenses, intercept of the power of comming their operating expenses, intercept on their operating expenses, intercept of the comming their operating expenses, intercept of the other Texas rough the actions at the first specified for short distances, while a large will not materially exceed the average of the Texas to a second the specified for short distances, while a large will not materially be remained for short distances, while a large will not materially be remained for short distances, while a large will not materially be remained for short distances, while a large prescribed for short distances, while a large will not materially be remained in the state of the Itexas rough is carried for short distances, while a large prescribed for short distances at a greatly less rate prescribed for short distances and Texas long of the Texas roads.

As a demonstration of the Second of the large prescribed for short distances at a greatly less rate prescribed for short distances at a greatly less rate prescribed for sh

COMPANY.

Central R. R. and Enking Co. of Co. Savannah, I. da & V. estern My., Georgia R. R. & Hausting Co. Oracle Look L. Savannah, R. y. Co. Brain whek & Western R. y. Co. Brain whek & Western R. y. Co. Atlanta & West Pout R. y. Co. Elect Pout, R. y. Co. Haust Pout, R. y. Co. Pout R. and A. West Carolina R. y. Co. Pout R. and A. West Carolina R. y. Co. Western & Arbains R. y. Co. Western & Arbains R. y. Co. Satinders vine & Tennolle R. y. Co. Satinders vine & Tennolle R. y. Co.

D T C Ry
L & T C Ry
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L A & T Ry milens in

M. K. & T. Ry. consense in Texas 999;

had the statistics of the Georgia roads, cov-

The carrings of a rallroad per ton per mile

THE ACTUAL COST to the patrons of the service which they have received and is the only way in which the actual amount which the railway company has received per ton can be ascertimed. It all be seen from the tables that the raise of the Georgia roads per ton per mile was all and that of the Texas roads

Missouri, Kanaps and Texas and St. Louis, Acknosas and Texas in Missouri, Arkansas, Kanasa and the didian Territory, and 100 unless of the Cod, Colorado and Santa, Fe.

n the fadim Territory.
It is not believed that the rates in those

states are materially lower than in Texas; if they are, the cate per ton per mile on the roads actually in Texas would be somewhat in excess of 1.30. If the rates of the Geor-

clarums were lower in some of the states into which they extend than in Georgia, then the teorgia rate would be above LNI; if higher in such other states, the Georgia rate would be surewhat lower than 1.31.

Three of the Georgia roads, judging from their reports in Poor's Manual, do their

own express business and combine the freight and express tomage and earnings. This would make the rate on freight proper

It is believed, however, that the tables furnish as accurate a comperison as can be had believed the rates in Texas and Georgia

Fexus and Georgia for the same service is

it may be asked if the actual carnings ne

on per mile of the Georgia roots and the fexus roots are so near the same, why the

Georgia standard tariff is apparently much lower than that of Texas. To the standard tariff of the Georgia commission, the

Georgia roads are generally allowed a given per cent, for some distances as high as 50 per cent, and rarely less than 10 per cent. Without such additions the Georgia stand-

and rates for a hundred miles and less on some classes are about THE SAME AS THOSE IN TEXAS.

For instance, on first class for fifty miles the rate in Georgia is 26 cents, while in the mileage tarist of the Gulf, Colorado and

Santa Fe for twenty-five to sixty-one miles it is 50 cents; for 100 miles it is 54 cents in

Georgia and 50 in Texas. On some of the lower classes the rates for the same dis-

Heativ less than 1311.

also made between owner's and carrier's

In Texas above 100 miles the rates increase much more rapidly in proportion to distance than the Georgia commission stan-dard until the common point rate of 88 cents on first class and proportionate rates on other classes is reached. in Texas at 177 miles, after which the commerce is carried to all Texas common points, and in some instances as far as 500 miles at the same rate; while in Georgia the rates continue to rise with the distance, but in a much smaller ratio

IN PROPORTION TO DISTANCE

than at first. For instance, the Georgia rate on first-class rises from 12 cents at five miles to 30 cents at fifty miles, an increase of 18 cents; to 45 cents at 100 miles, an increase of only 15 cents in fifty miles; to 70 cents at 200 miles, being a charge of 25 cents for the second hundred miles, while 30 cents is charged for the first fifty and 45 cents for the first hundred miles; 80 cents for the third hundred miles, being a charge of only 40 cents for that hundred miles (while 45 cents is charged for the first and 70 cents for the second) 85 cents for the fourth hundred miles, being a charge of 8 cents for that hundred miles, as against 45 cents for the first 100 miles, 25 cents for the second, and 10 cents for the third 100 miles. For 450 and 400 miles the rate is the same.

There are only three roads whose distancrease of only 15 cents in fifty miles; to 70

There are only three roads whose distan-ces, subject to the Georgia commission twiff, exceed 177 miles, and only one of those three exceeds it materially. Necessarily the great bulk of the Georgia tonnage is carried for short distances at high rates prescribed for short distances, while alarge part of the Texas tonnage is carried long

| Net | Tons of Tons Car-| Earnings | Freight | Freight | Pro-| Carried | Latte | Earnings | per-

1002 \$5,517,008,51 7,306,780 (806,919,940 \$19,980,007 or 1003)

Miles Net Tomof Tous Car Freight Rate per Preight Farmings Tou per Carried. Mile Mile

498.248 Not compl.

1157 161,706.00 1.057,964 \$68,604,973 2.561.534.52

3518 2,539,116.64 1,949,756 557,455,530 5,792,711.38

TABLE A-GEORGIA, 1889.

As over no continue complicated at the dividing total net earnings of all companies.

No lette to before an of the companies:

As once into the triangular and the companies of all companies in the first of the companies of all companies in the first of contrast of one of the surface of the companies of the contrast of one of the put total frequency of all companies of the contrast of put operation expense.

Note: It with had a the restaurce are given for the fiscal year ending in 1889; some of them endalmed in their December of

500 \$ 816.905.00

1008 521.536.58 1007 1.841.800.74

825 946,253.00 167 700,868 49 25 15,610,22 860 397,833.00

hos.coz.ot

TABLE B-TEXAS 180.

Guif, Colorado and Santa Fe pald, its emplotes on an average of 25 cents per day more than the roads preferred to, which are the Central railload and banking company of Georgia, the several lines composing the

Queen and Crescent route, and the Savan-unii, Florida and Western. We find the same difference by comparison of the Gulf, Colorado and Santa Fe with reports from the South Carolina rail-way company, the East Tennessee, Vir-ginia and Georgia railway, and the Queen and Crescent route, received within the

and Crescent route, received within the last thirty days.

An examination will also reveal the fact that other expenses of operation in Texas are considerably in excess of those in other states. The report of the East Tennessee, Virginia and Georgia railway, of recent date, shows that coal costs them \$1.47 per ton, while it costs the Gulf, Colorado and Santa Fe railway \$3.00, or 110 per cent more. It is well known that coal is one of

the largest items of cost
in the operation of a fatheoad.
Had we had the figures of the East Ten-Had we had the figures of the East Tennessee, Virginia and Georgia, coal would cost the Guif. Colorado and Santa Fe \$24.508.68 per annum less than it now does.

Recent statements show that coal costs the Illinois Central railway \$1.06, and the Iron Mountain \$1.41 per ton.

The same comparison will show that the East Tennessee. Virginia and Georgia railway pays \$1½ cents for ties, while we have been paying \$5 cents for Montgomery branch thes of very inferior ounly, and are now

been paying 35 cents for Montgomery branch tigs of very inferior quality, and are new paying 47 cents in order to get Louisiana ties of the best quality.

Generally speaking, all, rallway supplies are higher in Texas than in other states, because Texas is further from the source of suppy, and the cost of getting the sup-plies to the points of consumption is propor-tionatic greater.

denately greater.

We have shown that had it had the Georgia rate for coal and section force, the Gulf, Colorado and Santa Fe railway would save annually, on these two items alone, \$458, 556.68.

We think at a moderate estimate the cost We think at a moderate estimate the cost of operating a railroad in Texas is 25 per cent higher than in Georgia. It is certainly greater in Texas than in Missouri and Arkansas, for a statement filed with the commission shows that the Gulf, Colorado and Santa Fe pays \$1.08 per ten more for coal than the Iron Mountain, \$1.48 more than the Atchison. Torocka and Santa Fe, 3 cents more for ties, and that the average rate of wages of employes is 33 cents per day higher on the Gulf, Colorado and Santa Fe than on the Iron Mountain. It is believed that the figures of the Culf. Colorado and Santa Fe on cost of operation are a fair average of the Texas roads.

Asine from the cost of labor and mate-

Aside from the cost of labor and mate-rial, it is the fact that mest of the Texas rial, it is the fact that mest of the Texas roads benefitate a country where frequent renewals of ties and shaping up of track are necessary, and renders operating expenses higher in proportion to those in other states. Another cause of large operating expenses in Toxas is the produces of our people to institute suns aminst railreads on slight provocation, and the inclination of some of our courts and their explantion of some of our courts and their explantion of some of our courts and their expension.

We have no frequent for causes, but in 1890

We have no figures for Georgia, but in 1890 the Guif, Colorado and Santa Fe. with 258 miles in Texas, had twice as many suits instituted against it as against the Atchoson, Topeka and Santa Fe in Eansas, with 2500 miles of track, and three and one half times as many as against the St. Louis and San Francisco in Missouri, Arkansas and indian Territory, with 1000 miles of track, Other Texas roads do not appear to have fared much better, for the Texas and Pacific, with about 1000 miles in the state, had nearly twice as many suits against it as the Guif. Colorade and Santa Fe.

The fact that the rates are now practi-

as the Guif. Colorade and Santa Fe.
The fact that the rates are now practically the same and the cost of operation
greatly less in George than in Toxas, accounts for the fact that a majority of the
Georgia railroads are not only paying interest on their bonds but earning dividends
on steel while a majority of the Toxas. on stock, while a understy of the Texas roads are unable to pay interest on the bonds, and only one road in the state carns

enough to pay dividends on the stock.

It may be a surprising statement, but it appears to be a fact, that the people of Texas to-day are getting cheaper railroad. Texas to-day are getting cheaper railroad transportion than the inhabitants of England. An article of J. Stephens Jeans, on American railways and British farmers, reproduced from Nineteenth Century in the November number of the Eelectic, is authority for the statement that railway charges in England are 60 per cent higher than the average in the United States.

The average earnings per ton per mile in the United States for 1880 were I cent. The

the United States for 1889 were I cent. The average of the Texas roads for the same year was 1.31. The fact that the Texas rate exceeds the average of the United States rate 51, at a glance might seem to indicate that the charges in Texas were excessive, but we must remember that the low average in the United States is made by nes between the East and West which transport an immense tonnage, and it is a well-known fact that the larger the volume of business the lesser the rate at which it

CAN BE PROPITABLE HANDLED.

Take for instance the lines of the Pennsylvania railroad east of Pittsburg and Erie. Their rate per ton per mile for 1830 was 601, but their tennage for one mile was 7.041.523,100, while the Gulf, Colorado and Sants be had a ton rate per mile of 1.595 and had a tonnage for one mile of only 223,447.578, being less than one-thirtieth of the tannage of the Pennsylvania lines. Those lines of the Pennsylvania railroad with 2500 miles of road had more than twice as much freight tonnage as all of the roads of Texas combined with 1825 miles. In the year 1880 those lines with a little more than a fourth of the mileage of Texas earned nearly twice as much as the Texas roads, and their net earnings were considerable more than twice the net earnings of

all Texas roads.

To illustrate what effect the amount of tonnage necessarily has on the rate of earnings per ton per mile, take the united railroads of New Jersey division, a part of the Pennsylvania lines east of Pittsburg; their rate per ton per mile was 1.157; their tomage for one mile being 851,000,000, or nearly four times that of the Gulf, Colorade and Santa Fe. This comparison of the figures of the United States railroads of New Jersey, a part of the Pennsylvania system east of Pittsburg, under the same management with the remainder of the sys-tem, shows what an immense tomage it is necessary to have before a railway company an reduce its charges to the low rates pro

vailing on the trunk lines.

Another very important item in considering the ability of a railroad company to carry freight at lower rates, is the amount of its passenger earnings. If it has a large passenger business, deriving a large profit therefrom, such profit will of course go to-wards payment of fixed charges, and to hat extent reduce the amount necessary to be raised from freight traffic. The enor mous passenger business done by the lines between the Atlantic coast and Chicago and St. Louis, is one of the chief factors in pro-ducing their low freight rates. For in-stance, in 1890 the Pennsylvania railroad division of the Pennsylvania company, with a mileage of 1440 miles, carried 20,066,268 passengers, on which its gross earnings were \$8,220,513.66. The united railroads of New Jersey division of the same company, operating 47 miles, carried 21,-205,187 passengers, from which it derived \$7,654,260,98. The Gulf, Colorado and Santa \$7.654,950.98. The Gulf, Colorado and Santa Fe railway, during the same year, with a mileage of 1048 miles, carried 622,498 passengers, from which it derived gross earnings of \$57,942.04. The united railroads of New Jersey division, operating considerably less than one-half of the mileage of the Gulf, Colorado and Santa Fe, derived from its passenger business almost twice the entire gross earnings of the Gulf, Colorado and gross earnings of the Gulf, Colorado and Santa Fe, and more than eight times the passenger earnings of the Gulf, Colorado

passenger business being \$2,192,156.14, were more than twice the entire net earnings of the Gulf, Colorado & Santa Fe railway FROM ALL SOURCES.

In view of the facts does not the Gulf, Colorado and Santa Fe rate per ton per mile for 1890 (1.60) as compared with 1.178 of the united railroads of New Jersey, con-stitute potent evidence conditions considered, that the present railroad rates in Texas are not high enough to fairly re-munerate the roads for their actual invest-

and Santa Fe, and its net earnings from the

Texas in the aggregate as compared with those of other countries, conditions considered, are not expessive or unexconside. The actual net carnings of the Iexas rall-ways, compared with the amount of their stocks and bonded debt, or by an fair criterion that may be adopted for ascertaining the actual investment, will demonstrate that the Iexas railways have not to revertant years received anything like a fair retained on the actual investment. The fact that for several years past the Missouri, Kansas and Texas, the Houston and Texas Central, the St. Louis, Arramass and Texas have been in the hands of receivers appointed by the Pederal courts, and the International and Great Northern, the San Antonio and Aransas Pass and the Houston End Will be receivers are operating their respective rousis as others of the respective rousis are at intervals approved, under the sanction of the oaths of the fulless of such courts, and who have been unable to explain to you clearly the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have any just along the reliable to explain to you clearly the principles upon which these rules of have are just, but when asked to state the principles upon which these rules of have any properly in least the principles upon which these rules of have any properly in least the principles upon which these rules Texas in the aggregate, as compared with answered with singular unity that they be accomplished as the

since courts, whose accounts are at intervals approved, under the sanction of the carls of the indires of such courts, and who have been unable to pay the interest on their bonds, would seem of itself sufficient evidence that the railways of Texas have not been entring:

\*\*\*SEFFICIENT AMOUNT ON THERE CAPITAL
The Oulf, Colorado and Santa Far railway company is bonded for \$0,000 per mile, and its stock is \$430 per mile. Its interest account, of per cent on first merigage and 6 per cent on second morigage bonds, amounts to \$1.000,000 per year.

A fair dividend on its stock would be at least 4 per cent, hence to pay a fair return on its capital, after payment of the other rails of the cent, the cartion should be \$1.500,100 per year. If Texas wishes her stock would be at least 4 per cent, hence to pay a fair return of the reach the standard of excellence of other states, some surpius should be \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be at \$1.500,100 per year. If Texas wishes her stock would be added to the stock would be

mission will show that there has been to innterial improvement for the first six months of 1891 over 1890.

months of 1891 over 1890.

To pay a fair return on the investment during the three years of formed to, it shall have carned \$5.010.480, while it carried only \$1.458,500.28. During the three years referred to, the company has practically expended \$1.00 fits not carnings in improvements of the road "having expended over \$1.200.000 for that purpose 18 THE LAST TWILLY MONTHS.

The published statements in Poor's Manual of the Galveston, Harrisbury and San Astonio railway company for 1850 show that it fell short \$174,500 of the carning interest on the bonds. The New York, Texas and Mexican railway, \$01,631; while the Galf. Western and Texas, and Pacific was \$22.67; short of carning its actual operating expenses. crating expenses.
We understand statements which will be

fornished the commission by the last three named companies will show an equal or greater deficit for

The Fort Worth and Denver City rollway ompany has been able to earn interest on ts bonds, but no dividends. The Texas and Pacific railway company has been able to pay interest on one-half of its bonded debt. The Toxas and New Orienas is the only road in the state which has carned any surplus which could be applied toward payment of dividends.

Were it not for the fact that the Atchison company has advanced in the Atchison company has advanced in any time.

Were it not for the fact that the Atchison company has advanced money to pay interest on the bonds of the Gulf. Colorado and Santa Fe railway and the Southern Pacific has made similar advances for its lines in Texas some time during the past three years, every railroad of Texas of any importance would have been in the hands of receivers, except the Texas and New Orleans, the Fort Worth and Denver City and the Texas and Pacific; and the latter conpany would only have escaped because of pany would only have escaped occause of an arrangement by which it has only to pay interest on one-half of its bouded dobt, in-terest on the other half to being payable unless the earnings are sufficient to make

The average net earnings of all the rail-The average net carnings of all the railroads in the United States for the fiscal
year-ending June 30, 1850 (see report of 1.
C. C.) were \$2057 per mile, while for Texas,
as heretofore shown, \$577 per mile.
In verification of these statements we
hand to the commission for your inspection,
commencing with January, 1888, a monthly
statement showing in detail the earnings
and expenditures of the company. Covering a similar period we also mand to the ing a similar period we also hand to the commission for its inspection statements of the income and construction expenses, and fuel and material account: and for a lesse period monthly statements showin the passenger and freight per portion of each operating expense account the average cost of moval of freight per ton and passengers per mile. These statements are not written up for the occasion, but are copies of the monthly state ments furnished by the auditor to the offi-cers of the company, and which copies are retained in the auditor's office for his records and information, over his own signa

In order that the commission may see what effect a reduction of rates on any par ticular article will have on the earnings, we also hard in for the juspection of the commission a monthly report covering a period of eleven months ending May 31, 1891, show ing the amount of pounds and the amount of earnings on each article transported,

June are not yet completed.

To facilitate the commission in obtaining information, we hand you a statement for the twelve months ending June 30 (June belief and the complete a ing estimated), showing the total number of pounds transported and the earnings thereon of thirteen of the most important articles of transportation. We also hand you a table giving the total pounds of all other articles for eleven months. We cheerfully invite the exercise of the

power conferred upon the commission to appoint experts to examine the books of the company in verification of the statements made. In verification of the statements made in comparing aggregate rates and expenditures of Texas roads with those ther companies, we file with the commis-tion the original sources from which the information was obtained. A great deal of he information could not be obtained from Poor's Manual, but was obtained by special application to the companies from which it came.

## PRINCIPLES OF RATE MAKING.

The Mileage Basis Has Universally Been Found Impracticable in Freight Rates. We now approach the problem of the geerai principles governing rate making. While like others who have appeared before this commission, we are nufficted with na-tive modesty and do not seek to propose to he commission any principle for its action; still, it is deemed nothing short of duty to it least attempt to present to the commis-sion those general principles of rate making which have received the sanction and pracice of actual railway management, whether by government or private corporation, in

who are presumed to review the transactions of life for the purpose of ascertaining correct principles of action.

You have had before you the traffic men
of the railroads of Texas, and propounded to them questions in regard to the principles of rate making, and particularly with reference to the practicability and justness of a distance or mileage basis. They have

ost of the countries of the world, and has

en indorsed in theory by political econ

thum his more distant neurabor. He is enitiod to the

ANALYMAGE OF HIS NATI HAD DO ATHEN
BUT A railroad is not a theory of action
but a railroad is not a theory of action
and hence man culmot have a materia he at
those on a railroad. In this country it is
combination of private capital action from
carse granted by the state, not for the sensit of any locality, but for the state in pareral, and hence can be administed to the bose it
of the people at lattice regardless of the
product interest of any locality, whether is
he near or far from the terminus of the rairoad. No many can claim any material ad
vantage from the relibered on account of
distance, because no natural rights cut
exist in an artificial creation. Consequently,
unless it can be shown that it is to the in
heavest of the state at large that a may
manyer the market should receive chouses
transportation has bis more distant to left.

not permittently 25.
Alexander's statement of the prisciples of rate-making is galaject to the criticism that value of secret and what the traffic that value of service and what the traffic will bear (preservy understood) are two manes for the same thing.

The principles upon which railway tariffs are and should be constructed can be more not exceeding a reasonable profit for the carrier and not permanently less than the cost of service, provided, when the demand at the point of consumption can be supplied from either of two or more places on the same route, then rates should be less from the place from which the cost of service is less.

less.
While there may be apparent exceptions. or minor principles operating in the san field, yet we believe that every question of tareff making, unembarrassa; by atmorni

What is the value of service? A man ha property at San Angelo which can be seen on the Galveston market. Ordinarily the value of the transportation service to him is such a price as will enable him to pay the transportation charge and still sell his property on the Galveston market.

AT A REASONABLE PROPET.

The same rule determines the value of he service to the man who has property at cupie intended for site at Galvesian. If in property is worth the same at San Ar-do as at Temple, that is, if the cost of pro-icing it at the two places is the same, the due of the transportation services a two places to Galveston will be If the man from Temple pays :

same. If the man from Temple pairs to more for the service than it is worth, can be justly complain that the service is worth no more to the man, at San Angelo and hence he cannot afford to pay more?

It is true that the uniway company is making a greater profit out of the Temple man. This result under similar conditions follows in all business transactions. As explained by one of the sait manufacturers before the commission, the unanufacturer efore the commission, the manufacture selectine commission.

elistic bulk of his product at market hat are accessible, with normal production while he disposes of his surplus in some accessible market or at some market ore competition is greater, at a slight profil, or maybe at cost. This is doing no njury, but conferring a benefit on the cus-comer in the accessible market who pais a higher price, for if the manufacturer could not dispose of his surplus he would either have to set the bulk of his product at an insince the capacity of his works, which and cheap rise and only cause the same result, for, as explained by Mr. Marshall of the Colorado alt works, the smaller the plant operated whose of services to the larger the cost of production. On the same principle the railway company in giving its surplus inclinies to the Sam begod man at a less rate per mile than the Junge of government, carry for participation of doing the Temple man an injustice confers on him a benefit, for if it carry the haviness of the Sam Angelo man on the conference of the first carry the haviness of the Sam Angelo man on the language of the first carry the manufacture of the first carry the manufacture of the first carry the first c man at a less rate per raile than the Jaines man instead of doing the Temple man an injustice confers on him a benefit, for if it is done by the fileses the business of the San Angelo man on account of having to charge more than the value of the service, it will have to make up the loss out of the Temple man and its other ensurement, which may result in the Temple man making less than a reasonable profit. Of course if the value of service to the San Angelo man is less than the local state of the subject are not be cost of the service leaving no surplus. the cost of the service, leaving no surplus official as over the actual cost of handling the shipment, and the actual wear and tear on the ment, and the actual wear and tear on the track, an injury is done to the Temple man and other intermediate shippers, for then they might be called on to make up for the loss. As long, however,

The Shippers that the shippers profit above the cost of handling and wear and tear on the facilities is derived from the San Angelo shipper, it is to the interest of the railway company and all intermediate shippers that the railway company should do the business from San Angelo although.

it may have to charge the same or a less rate than from intermediate points, for the highest profit realized from the San Angelo shipper goes into the general fund and to that extent relieves the other patrons of the road who otherwise whould have to pay the

same.

These conclusions are necessarily correct, unless it be the policy of the government to create monopolies of communities by using the artificial creations of government to build up one section of the state and retard the growth of others. The question of the state and retard the growth of others. ion heretofore was, whether it is to the interest of the railway company to build up one section of the country on its line and erard the growth of the balance: we now have to consider the question as to whether such is the policy of the government, for the goverment has now assumed the place

The principle

ed to the mark

annual report of commission, page 343 Hungary is based on value italy freight tariffs are base Thus on a long carriage

state Commerce Commiss. But for the value of service ! products of the Great Wes

of the traffic manager, in the state, can it is the population and wealth of the

tances appear to be considerably less in not be compared, for in Georgia it is based on so much per carload (a wrong principle, for it is an incentive to the carrier not to in-crease the capacity of cars, and a conseruent obstruction to procress), and in Texas it is based on so much per hundred pounds. Without having a statement of he number of pounds of each class carried and the revenue derived from each class, it is impossible to tell what effect the same tarif would have on the gross revenues of two roads situated in different states, for if in one state a road carried more freight of a higher class than a road in another state, the gross revenue would be propor tionately greater. A low rate on an article of which the tonnage carried is small, will

not materially affect the gross revenue, while the same rate on an article of which there is a much greater tonnage, would very materially affect the gross revenue. Again, without averaging the rates of all the Georgia roads with the classification. It is unpossible to tell what rates are actually charged in Georgia, for according to the carry shigher rate than any named in the

n some instances as high as four

time "he first-class rate. A distinction is

A terrare non-cataint's per mile curvived at by dividing total net earnings of all companies by total ullivate of all companies.

Assure rate per loss not mile survived at by dividing total feeight carnings of all companies in the loss of miles of metallic does mile by all companies.

(6130)

\* Definition of carnings because operating expenses. noile, for the grason that Georgia is reputed to be more prospersus than the other states into which the Georgia lines extend, and It will be readily seen that a railroad 100 miles long will derive more revenue from hauling four tons of freight to the end of its line at 30 cents per numbed pounds, than hence the tonnage on the lines in Georgia

2 140,700 GTLTSL967 [ 7.45,108.78 157,247 GTC51988 [ 107,757.65 767,247 GTL967,655 [ 2.56,811.55 1.44,741 [ 201,055,652 | 4,857,630,06]

from hauling two tons of freight to the end of its line at 70 cents per hundred. Thus the fact that the Texas roads are much longer and haul a large part of their freight traffic long distances at greatly less rates per mile than for the shorter dis-

rates per line than for the shorter dis-tinces, equalizes the lesser rates that may be charged in Georgia.

For the short distances.

It would not be just to apply the Georgia fariff in Texas without giving us the bene-fit of the Georgia distances. You can do this by dividing the Texas roads into see-

thus, making each section the average length of the Georgia roads, subject to that commission, and applying the tariff to these sections. For instance, assume that the average length of the Georgia roads, subject to the commission tariff, is 200 miles. You can divide our roads into sectariff apply from the terminus of the road to the first 200 miles, and then commence at

Again. Georgia is much nearer the points from which she imports and to which she exports, and hence her interstate and forsign traffic can stand higher rates than can he interstate or foreign traffic of Texas, and it is believed that the Georgia roads locive a much better proportionate revenue from interstate business than do the Texas from interstate business than do the Texas roads. For instance, the rates from Mem-phis, Tenn., to many points in Georgia are \$1.42 first-class, and to some points as high as \$1.72, while from St. Louis to Texas common points, a much greater distance, the rate is \$1.33. The greater the distance to points to which you export and from which you import, the greater difference necessarily exists between the proportion

of the through rates and local rate perself out from the commerce of the rest

of the United States.

Now for a brief comparison between the cost of transportation in Texas as compared with Georgia and other Southern states. We find by comparison of the Gulf. Col-orade and Santa Fe railway company of Texas with the Central Railroad and Bank ing company of Georgia, for the fiscal year ending in 1889, the Gulf, Colorado and Santa Fe railway company paid on an average to its employes 42 cents per day per man more than was paid by the Central Railroad and Banking company of Georgia. Take the lowest in rank of laborers, the section hands. In Georgia they are paid a maximum of \$1 per day, while the Gulf.

Colorado and Santa Fe pays \$1.25 regularly. and \$1.50 to what is known as the extra gangs. To section foremen the Georgia railroads pay \$45 per month, while the Texas roads pay \$55 per month. Had the Gulf, Colorado and Santa Fe employed its regular section force in 1800 at the Georgia

WOULD HAVE SAVED \$114,048. In South Carolina, and some of the other states, the highest rate paid to section men

men is 40 cents.

It may be charged against the railways of Texas that they pay too much for the service of their employes, but this charge is answered by the statement of Mr. Marshall, of the Colorado sait works, to the effect that the cost of living is higher in Texas. and hence the rate of wages paid for labor in Texas, not only in railway service, but in other branches, is necessarily higher, and as explained by Mr. Marshall, after the Texas wage earner pays his actual living expenses he does not receive more for his services than the wage earner in other

services than states.

The difference in the rate of wages paid in Texas can be shown by the comparison with other states, but it is more striking

with respect to Georgia.

Comparing the Gulf, Colorado and Santa
Fe with the following road based on statements furnished us in the fall of 1880, the ways of Texas, that the rates charged in